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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 002200

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SUBJECT: AMENDING THE NGO LAW AND REVAMPING THE BREAD

SUBSIDY: THE LABORS OF MINISTER MOSELHY

REF: A. CAIRO 2067

[¶](#)B. 2006 STATE 200959

Classified by Ambassador Francis Ricciardone for reasons 1.4 (b) and (d).

[¶](#)1. (C) Summary: Minister of Social Solidarity Ali El-Moselhy informed the Ambassador that he had initiated GOE studies to revise the NGO Law (84/2002). The Ambassador pressed Moselhy to seek an amended NGO law that protects and expands freedom of association and operations by all legitimate non-governmental organizations, and provided a copy of the USG's ten "Guiding Principles for NGOs." Moselhy also briefed the Ambassador on his ongoing efforts to revamp the GOE's costly bread subsidy. End summary.

[¶](#)2. (C) In a July 15 call on Minister Moselhy, the Ambassador, accompanied by USAID/Egypt Acting Director, Justice Attaché, and poloff (notetaker), pressed the GOE to ensure that any revision to the NGO law (Ref A) be in accord with the USG's "Guiding Principles on Non-governmental Organizations (Ref B)," and urged that groups currently operating as civil companies be assured of continued legal operations. The Ambassador gave Moselhy a copy of the "Guiding Principles," which the Secretary announced in December 2006. Moselhy welcomed and carefully perused the document. While he offered no direct comment about the "Principles," he told the Ambassador that he supports "the right of NGOs to advocate and educate." He said that he hopes that any new legislation will give NGOs "double the space and triple the freedom" but that it should also demand accountability by the NGOs, both in terms of their financial controls and in terms of the results of their work.

[¶](#)3. (C) Moselhy said that only 2000 of Egypt's 26,000 registered NGOs are currently active. He praised several charitable and development organizations (including charitable foundations run by the Sawiris family and businessman Farid Khamis, as well as the Hoda Sha'rawi and Awladi organizations), but he also decried other unnamed NGO leaders whom he accused of "a filthy pursuit of easy money" by their attention to "issues a la mode."

[¶](#)4. (C) Regarding the process and timeframe for any revision to the NGO law, Moselhy said that the issue was a priority for the GOE, but "not urgent" like the revisions to the election law or the new anti-terror law. Moselhy said that revising the NGO law was his own initiative, and that he aims to have his ministry's input for the draft law ready by September, so that the Ministry of Legal and Parliamentary Affairs can prepare the actual draft legislation in time for the re-opening of the People's Assembly in November. Moselhy emphasized that he is not seeking to dominate the process by which his ministry solicits input for the new law. He asserted that Egyptian NGO experts (such as lawyer Mona

Zulficar, who also serves on the National Council for Human Rights), as well "review teams that the U.S. government is supporting" (an apparent reference to the United Group, a law firm that has received USAID support to review the NGO law) will be providing the key inputs for the NGO law revision. Moselhy noted that he looked forward to continued consultation with the Ambassador, Embassy officers, and USAID staff on the issue of amending the NGO law.

¶5. (C) Turning to the issue of Egypt's bread subsidy, Moselhy lamented that May strikes at Giza mills had forced the temporary halt of his effort to expand a successful pilot program (in Alexandria, Ismailiya, and Minya) to replace Egypt's costly and ineffective subsidized flour mills and bakeries with targeted welfare payments to the most needy that would allow privatization of Egypt's flour mills, 80 percent of which are still public enterprises, as well as the remaining state-owned bakeries. Moselhy asserted that needy working class Egyptians who would receive cash payments in lieu of the bread subsidy would be happy to pay for higher quality bread at market rates. Moselhy said that the current bread subsidy costs the GOE LE 9 billion per year (about 1.7 billion USD), and that he, Minister Rachid (whose Ministry of Trade handles wheat procurement from abroad) and Minister Mohieldin (whose Ministry of Investment handles privatization issues) are firmly committed to revamping the bread subsidy because of the significant savings, and improved service delivery that they believe can be achieved.

¶6. (C) Comment: Moselhy characterized the amendment of the NGO law as "easy" compared to reform of Egypt's bread subsidy. (Egyptians from all walks of life invoke the 1977 bread riots--when Anwar Sadat's effort to revamp the bread subsidy led to violent street protests which the army quelled

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with heavy loss of life--as the leading example of how economic dislocation can spur the traditionally tolerant Egyptian citizenry to revolt.) In addition, Moselhy may not have wide support within the GOE for his effort: Minister of Finance Yousef Boutros-Ghali has told us that, given the risks of tampering with the bread subsidy, he believes that the GOE should focus its subsidy reform energies on reducing Egypt's fuel subsidy, which costs the GOE approximately LE 40 billion per year.

RICCIARDONE